

Budget Brief – Health Care Financing

DEPARTMENT OF HEALTH

DOH BB 08-07

SUMMARY

The Division of Health Care Financing (HCF) is the administrative agency for the Utah's Medical Assistance Programs (Medicaid). The division administers state and federal funds, and contracts with providers. It also gathers and analyzes data, and pays for the Medicaid services provided to recipients.

ISSUES AND RECOMMENDATIONS

The Analyst recommends a budget for Health Care Financing line item for FY 2008 in the amount of \$78,742,900. This budget level funds seven programs. The recommendation reflects adjustments to the General Fund allocation between programs made by the Department during FY 2006, and the Departments requested shifts and adjustments to the General Fund, Federal Funds, Restricted Funds, Transfers, Dedicated Credits and Other Revenue for FY 2008.

This budget funds seven programs within the line item, including:

Director's Office	\$ 5,268,400
Financial Services	\$ 8,627,000
Managed Health Care	\$ 2,827,100
Medical Claims	\$ 4,131,300
Eligibility Services	\$18,349,100
Coverage and Reimbursement	\$ 4,220,600
Contracts	\$35,319,400

The funding level supports 462.5 FTE.

Medicare Part D

HCF is the administrative section that addressed the issues raised by the implementation of Medicare Part D. It was originally estimated that there would be a significant increase in the number of Medicaid recipients. The overall caseload has been reduced but, the elderly population has increased by approximately one percent. These are the most expensive Medicaid recipients.

ACCOUNTABILITY DETAIL

The Health Care Financing Division provides the administrative support for the implementation of the State's Medicaid Plan. Each section plays a part in administering portions of federal programs and assuring the appropriate payments and matches are made.

Figure 1: Health - Health Care Financing - Budget History

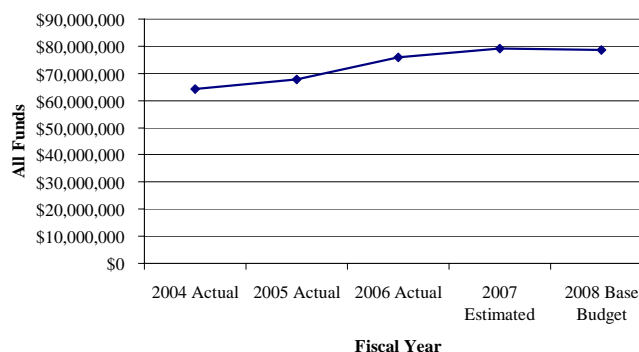


Figure 2: Health - Health Care Financing - FTE History

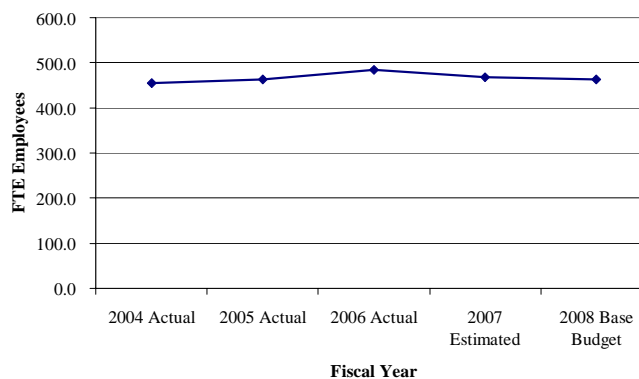
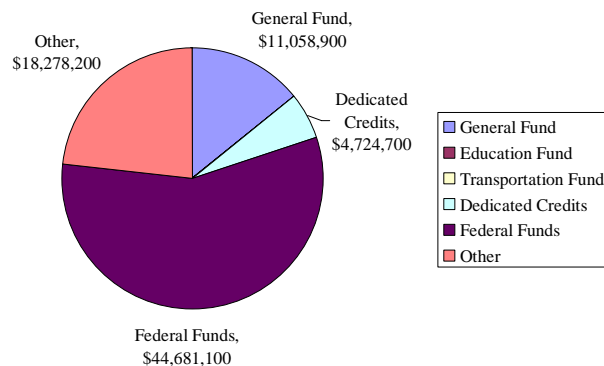


Figure 3: Health - Health Care Financing - FY 2008 Funding Mix



Director's Office

The Director's Office administers and coordinates the program responsibilities delegated to staff in order to develop Utah's Medicaid program in compliance with Titles XIX and XXI of the Social Security Act and other laws of the State of Utah.

The key performance measure submitted by the Department for this Division documents the number of phone calls. This is reported as an activity measure which is an indicator of eligibility services, caseload and utilization: all factors impacting the Divisions workload and quality services.

Financial Services

The Bureau of Financial Services is responsible for: managing the administration and service budgets for both the Medicaid and Primary Care Network (PCN) programs, and assisting with the Children's Health Insurance Program (CHIP); monitoring the drug rebate program; performing audits on Medicaid providers to settle Medicaid reimbursements; and purchasing office equipment and computer hardware and software for the division. No performance measures have been submitted for this program area.

Managed Health Care

The Bureau of Managed Health Care is responsible for implementing and operating the managed care initiative that includes contracts with managed care plans to serve the medical and mental health needs of Medicaid clients. The bureau is also responsible for the development, implementation, and operation of specialized Medicaid services for special populations in relation to managed care, a home and community-based waiver program, and the Child Health Evaluation and Care (CHEC) program that is Utah's version of the federally-mandated Early Periodic Screening, Diagnosis and Treatment (EPSDT) program covering prevention, outreach, and expanded services for enrolled children.

Medical Claims

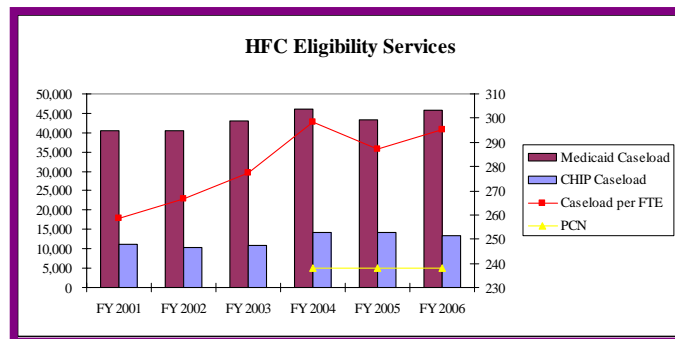
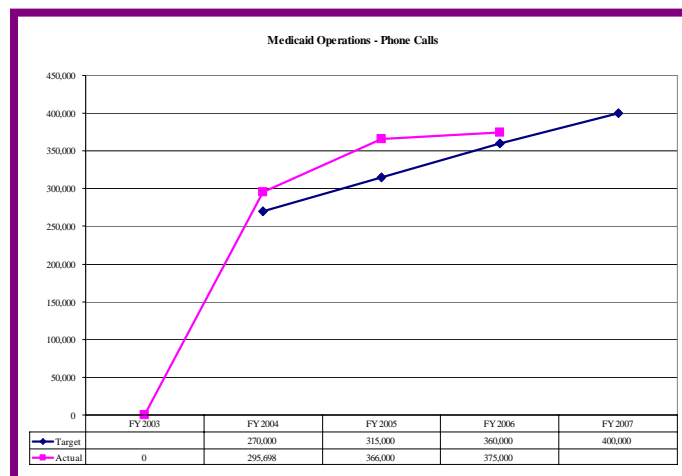
The Bureau of Medical Claims processes all claims received by Medicaid, ensuring that claims are entered and adjudicated promptly. As the Medicaid program has grown, the number of claims has also grown. Workload in this program is directly related to both caseload and utilization.

Eligibility Services

The Bureau of Eligibility Services has the responsibility of determining whether applicants for Medicaid, Children's Health Insurance Program (CHIP), or Primary Care Network (PCN) meet the eligibility criteria. Over the past few years as the number of individuals eligible for these programs has grown while the number of eligibility workers has remained fairly static. As a result the caseload per FTE ratio has increased, as can be seen in the accompanying graph.

Coverage and Reimbursement

The Bureau of Coverage and Reimbursement Policy: manages the Utilization Review of requests for medically necessary services that vary from policy; evaluates Medicaid expenditures through post payment review to ensure that payments were in compliance with Medicaid policy, and to identify possible situations of fraud or abuse; determines appropriate reimbursement rates and methodology reflecting state and federal mandates and budget



allocations; does research, makes recommendations for policy modifications, and develops new policy; analyzes all pending and current federal and state legislation dealing with health care; and formulates and processes all State Plan changes and all rule-makings dealing with the Medicaid program;

The Coverage and Responsibility Division within Health Care Financing reported goals to: implement key provisions of the Deficit Reduction Act (DRA) of 2005; and implement the Payment Error Rate Measurement (PERM) program.

Contracts

Contracts are for non-medical services performed for the Division by the Departments of Human Services and Workforce Services, such as recovery services, training, and administration. When eligibility for Medicaid services involves more services than just medical (e.g. food stamps), then eligibility is determined by employees of the Department of Workforce Services.

In addition, this program deals with medical and dental consultants and CPA audits and reviews, which serve the Medicaid program.

BUDGET DETAIL

Budget Recommendation

The Analyst recommends an ongoing base budget funding in the amount of \$78,742,900 for the Health Care Financing line item. Of this amount \$11,058,900 is from the General Fund, \$44,681,100 is from Federal Funds, \$4,724,700 is from Dedicated Credits, \$350,000 is from the General Fund Restricted – Nursing Care Facilities Account, and \$17,928,200 from Transfers. The recommendation covers the budgets for the Director's Office, Financial Services, Managed Health Care, Medical Claims, Eligibility Services, Coverage and Reimbursement, and Contracts.

Intent Language

No intent language has been requested and none is recommended for this line item.

LEGISLATIVE ACTION

The Executive Appropriations Committee requests that the Subcommittee adopt base budgets for each agency under the Subcommittee's purview, fund Subcommittee priorities, first by reallocating revenue among programs, and provide a prioritized list of desired items for funding. Adoption of this base budget as listed in this document enables the programs to continue for the next fiscal year at relatively the same level as the current fiscal year.

1. The Analyst recommends that the Health and Human Services Appropriations Subcommittee approve a base budget for FY 2007 for the Health Care Financing line item in the amount of \$78,742,900 with funding as listed in the Budget Detail Table.
2. The Analyst recommends that the Health and Human Services Appropriations Subcommittee review the issues related to the consolidation of the Medicaid Eligibility Systems of the Departments of Health and Workforce Services.

Consolidation of Medicaid Eligibility Services

The Medicaid Interim Committee has directed a feasibility study of consolidating the Medicaid Eligibility Services of the Department of Health and the Department of Workforce Services. An Issue Brief has been prepared evaluating the feasibility, costs and benefits of this action. The Analysts recommend consideration of consolidating these systems in an effort to make the system more efficient and effective for the citizens of Utah. It is recommended the consolidation be done in conjunction with the implementation of the new eRep system. Consolidation should expedite the implementation of this \$70 million plus system and enhance the benefits. (See the related Issue Brief MIC 01.) The transfer of funds and FTE are not included in this base budget recommendation.

BUDGET DETAIL TABLE

Health - Health Care Financing						
Sources of Finance	FY 2006 Actual	FY 2007 Appropriated	Changes	FY 2007 Revised	Changes	FY 2008* Base Budget
General Fund	10,307,500	11,058,900	0	11,058,900	0	11,058,900
General Fund, One-time	0	(42,000)	0	(42,000)	42,000	0
Federal Funds	42,003,400	39,692,800	5,181,400	44,874,200	(193,100)	44,681,100
Dedicated Credits Revenue	4,337,500	3,620,200	1,104,400	4,724,600	100	4,724,700
GFR - Nursing Care Facilities Account	300,000	350,000	0	350,000	0	350,000
Transfers - Human Services	82,900	94,300	(11,400)	82,900	0	82,900
Transfers - Medicaid	1,679,000	1,261,000	(783,600)	477,400	221,900	699,300
Transfers - Other Agencies	7,580,700	8,271,600	(756,100)	7,515,500	(221,900)	7,293,600
Transfers - Within Agency	10,378,900	6,777,200	3,075,200	9,852,400	0	9,852,400
Beginning Nonlapsing	247,300	0	247,300	247,300	(247,300)	0
Closing Nonlapsing	(247,300)	0	0	0	0	0
Lapsing Balance	(725,600)	0	0	0	0	0
Total	\$75,944,300	\$71,084,000	\$8,057,200	\$79,141,200	(\$398,300)	\$78,742,900
Programs						
Director's Office	5,027,700	5,073,300	175,300	5,248,600	19,800	5,268,400
Financial Services	8,319,900	7,199,900	1,413,700	8,613,600	13,400	8,627,000
Managed Health Care	2,534,400	3,066,400	(252,100)	2,814,300	12,800	2,827,100
Medical Claims	3,711,200	3,936,200	221,800	4,158,000	(26,700)	4,131,300
Eligibility Services	18,246,800	18,670,400	115,300	18,785,700	(436,600)	18,349,100
Coverage and Reimbursement	3,951,800	4,048,300	153,200	4,201,500	19,100	4,220,600
Contracts	34,152,500	29,089,500	6,230,000	35,319,500	(100)	35,319,400
Total	\$75,944,300	\$71,084,000	\$8,057,200	\$79,141,200	(\$398,300)	\$78,742,900
Categories of Expenditure						
Personal Services	29,128,800	30,125,800	(1,808,000)	28,317,800	(405,100)	27,912,700
In-State Travel	87,500	80,800	6,700	87,500	100	87,600
Out of State Travel	65,300	55,400	10,300	65,700	0	65,700
Current Expense	9,161,100	8,316,700	940,000	9,256,700	(2,900)	9,253,800
DP Current Expense	5,109,800	4,453,100	3,508,000	7,961,100	9,700	7,970,800
DP Capital Outlay	69,400	0	0	0	135,100	135,100
Other Charges/Pass Thru	32,322,400	28,052,200	5,400,200	33,452,400	(135,200)	33,317,200
Total	\$75,944,300	\$71,084,000	\$8,057,200	\$79,141,200	(\$398,300)	\$78,742,900
Other Data						
Budgeted FTE	484.5	484.5	(17.0)	467.5	(5.0)	462.5
Vehicles	13	14	(1)	13	0	13

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.